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Montana College of Mineral Science and Technology
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Office of the Legislative Auditor

State of Montana

Report to the Legislature

April 1993

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1992

Montana College of Mineral Science and Technology

This report contains recommendations for improvement in the college's operations. Items addressed in the report include:

- Exceeding delegated purchase authority.
- Complying with federal regulations.
- Unrecorded donations to the college.
- Deferring summer school tuition fees.

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The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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Performance Audit

April 1993

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana College of Mineral Science and Technology, including the Bureau of Mines, for the two fiscal years ended June 30, 1992. Included in this report are recommendations concerning exceeding delegated purchase authority, complying with federal regulations, unrecorded donations to the college, and deferring summer school tuition and fees. The college's written response to audit recommendations is included in the back of the audit report.

We thank the president and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1992

Montana College of Mineral Science and Technology

Members of the audit staff involved in this audit were Jody Brandt, Shawn F. Bubb, Tori Hunthausen, Wayne Kedish, D.J. Kimball, Charles Nemec, Lorry Parriman, and Kris Wilkinson.

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Appointed and Administrative Officials

Board of Regents of Higher Education

		Term Expires
Marc Racicot, Governor*		1996
Nancy Keenan, Superintendent of Public Instruction*		1996
Travis Belcher, Student Regent		1993
William L. Mathers, Chairman	Miles City	1994
Paul F. Boylan	Bozeman	1998
Tom Topel	Billings	1993
Cordell Johnson	Helena	1996
Kermit R. Schwanke	Missoula	1997
Jim Kaze	Havre	1999

* Ex Officio members of the Board of Regents of Higher Education

Administrative Officials

John Hutchinson	Commissioner of Higher Education
Rod Sundsted	Deputy Commissioner for Management and Fiscal Affairs
Laurie Neils	Director of Budget and Accounting

Montana College of Mineral Science and Technology Administration

Lindsay Norman	President
Tom Waring	Acting Vice President for Academic Affairs and Research
John Hintz	Vice President for Administrative and Student Services
John Badovinac	Controller/Business Manager

Montana Bureau of Mines and Geology

Ed Ruppel	Director
John Dunstan	Administrator

Summary of Recommendations

This listing below serves as a means of summarizing the recommendations contained in the report, the college's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the college comply with state purchasing laws. 6

College Response: Partially Concur. See page B-4.

Recommendation #2

We recommend the college:

A. Maintain cost records to support the leave benefit rates charged to grants and contracts.

College Response: Concur. See page B-4.

B. Establish procedures to ensure the college does not double charge leave benefits to grant projects. 8

College Response: Concur. See page B-4.

Recommendation #3

We recommend the college provide accurate federal financial assistance information to the Governor's Office. 10

College Response: Concur. See page B-5.

Recommendation #4

We recommend the college identify equipment purchased as part of a federally funded project on the property records in accordance with federal regulations. 12

College Response: Concur. See page B-5.

Recommendation #5

We recommend the college separately identify operating and equipment expenditures used to match federal grants on the state's accounting records. 13

College Response: Partially Concur. See page B-5.

Summary of Recommendations

Recommendation #6

We recommend the college:

A. Ensure state expenditures used to match federal expenditures are allowable under the grant agreement.

College Response: Do Not Concur. See page B-5.

B. Ensure the valuation of third-party contributions is adequately documented in accordance with federal regulations. 14

College Response: Concur. See page B-6.

Recommendation #7

We recommend the college account for donations and bequests made to the college on the college accounting records. 15

Commissioner of Higher Education Response: Concur. See page B-8.

Recommendation #8

We recommend the college record summer school tuition and fee revenue, and the related expenditures, in the fiscal year the session is predominantly conducted. 16

Commissioner of Higher Education Response: Do Not Concur. See page B-8.

Introduction

We performed a financial-compliance audit of Montana College of Mineral Science and Technology (college) for the two fiscal years ended June 30, 1992. The objectives of our audit were to:

1. Determine if the college complied with applicable laws and regulations which could have a significant effect on the financial statements.
2. Make recommendations for improvement in the management and internal controls of the college.
3. Determine if the financial statements present fairly the financial position and results of operations of the college for the two fiscal years ended June 30, 1992.
4. Determine the implementation status of prior audit recommendations.

This report contains eight recommendations to the college. In accordance with section 5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendations made in this report. Areas of concern deemed not to have a significant effect on the successful operations of the college are not specifically included in this report, but have been discussed with management.

Background

Montana College of Mineral Science and Technology's primary mission is devoted to graduate and undergraduate education and research in minerals, energy and the areas of science, technology, and economic development. Located in Butte, the college also provides essential educational service to the local community through a comprehensive array of programs, as well as degree offerings in engineering, business development and in the natural and applied sciences. Admission to the college is determined by the criteria established by the Montana Board of Regents of Higher Education.

The Montana Bureau of Mines and Geology is a division of the college established by the legislature as a public service and research department. The bureau is the only earth and science agency in Montana state government and is responsible for

assisting in the development of the state's mineral, energy, and ground water resources. Projects are undertaken in cooperation with the United States Geology Association (USGA), U.S. Bureau of Mines, and other federal, state, and local agencies.

The college is financed primarily by state appropriations from the state's General Fund, the university millage account, and student tuition and fees. Revenue is also generated from federal grants, private gifts and donations, and auxiliary enterprise operations.

The following table illustrates the number of full-time equivalent (FTE) students enrolled at the college during fiscal years 1990-91 and 1991-92.

Table 1

Schedule of Full-Time Equivalent (FTE) Students
For the Two Fiscal Years Ending June 30, 1992

Semester	Year	Undergraduate FTE [1]	Graduate FTE [2]	Total FTE
Summer	1990	122	9	131
Fall	1990	1,530	48	1,578
Spring	1991	1,460	54	1,514
Summer	1991	134	4	138
Fall	1991	1,580	53	1,633
Spring	1992	1,546	69	1,615

[1] Undergraduate semester credit hours divided by 15.

[2] Graduate semester credit hours divided by 12.

Source: Compiled by the Office of the Legislative Auditor from college records

Prior Audit Recommendations

Prior Audit Recommendations

The previous financial-compliance audit of the college for the two fiscal years ending June 30, 1990 contained 13 individual recommendations still applicable to the college. The college implemented ten of the recommendations, partially implemented one recommendation relating to identification of equipment purchased, as part of a federally funded project; and did not implement two recommendations relating to overcharge of leave benefits and identification of match on the accounting records. The college has improved its compliance with federal regulations since the last audit. However, based on our audit work, we believe continued improvement is warranted as discussed beginning on page 6.

Findings and Recommendations

Exceeding Delegated Purchase Authority

The current purchasing policy of the Montana College of Mineral Science and Technology is written in conformity with the requirements of the Purchasing Bureau of the Department of Administration (DofA) and state purchasing laws. However, the following two report sections identify our concerns with bypassing state purchasing laws.

Under the college's current purchasing policies, authorized purchases meet the following criteria:

Requisitions - Purchases from $1 to $300 may be purchased at the discretion of the college, with an authorized requisition.

Agency Purchase Orders (APO) - Purchases from $301 to $500 require a minimum of three telephone bids.

Purchases from $501 to $1,999 require a minimum of three written competitive price quotes.

State Purchase Orders (SPO) - Purchases of $2,000 and above must go through state purchasing procedures under the Purchasing Bureau of the DofA.

We reviewed APOs for the audit period and identified six different occasions where multiple orders were placed on the same day to the same vendor. These individual orders range from $996 to $1,181 for drilling supplies and from $870 to $1,680 for computer hardware. On each occasion, the individual purchases, in aggregate, exceeded the $2,000 limit for agency allowed purchases. Section 18-4-305, MCA, prohibits purchases from being artificially divided so as to constitute a small purchase. The college avoided processing the purchase orders through the DofA by splitting purchases among separate purchases orders. Thus, the purchases were less than the $2,000 limit which would have required a review by DofA.

Although college personnel did not provide us support for the multiple purchase orders, personnel said drilling supplies are needed by the college in an expedient manner because of weather and land access limitations. They also noted state

purchasing could not expedite the process to meet the college's schedule.

Section 18-4-306, MCA, allows a contract be awarded for a supply or service item without competition when it is determined, in writing, that there is only one source for the required supply or service item.

College personnel said the computer purchases met the sole source justification criteria because of the unique nature of the product and because college service personnel are able to maintain and service the product. We discussed the purchase orders with a purchasing agent of the Purchasing Bureau of the Department of Administration. The agent said sole source under section 18-4-306, MCA, is not justified because the product purchased by the college is considered generic equipment. Computer specifications without brand-specific components, would allow competition by multiple vendors. Vendors have standardized computer components that would lessen the cost of the bids. The college's current method of submitting brand-specific component specifications, restricts competition.

Physical Plant Purchases

We reviewed a number of vendor invoices, specific to the physical plant. We noted numerous instances where two to five purchase requisitions to the same vendor, and dated the same day, exceeded the $300, $500, and $2,000 authorized limits requiring competitive bids or state purchasing procedures. In aggregate, invoices for emergency exit lights and miscellaneous electrical supplies ranged from $581 to $3,493.

Personnel explained that construction projects under $5,000 can be done in-house, and do not require bids or follow state purchasing authority. College personnel interpret Title 18, chapters 1 and 2, MCA, on construction projects, to excuse the physical plant from state purchasing requirements, including soliciting bids.

Building construction and maintenance laws allow projects up to $5,000 to be contracted directly by agencies without supervision from the Architecture and Engineering Division (A&E) of the

Department of Administration. However, guidelines established by A&E and the Purchasing Bureau of the Department of Administration for building construction and maintenance projects note that if labor to complete the project is supplied by the state agency, state purchasing rules and procedures are in effect for procuring the materials.

The emergency exit lights and miscellaneous electrical supplies do not constitute a "construction project" and we believe the purchases fall under state purchasing law.

Recommendation #1

We recommend the college comply with state purchasing laws.

Compliance with Federal Regulations

The college receives federal financial assistance from various federal departments including the U.S. Departments of Energy, Interior, Labor, and Education, the Environmental Protection Agency and the National Science Foundation. During fiscal year 1991-92, the college spent approximately $1.9 million relating to federal grants and contracts. We performed tests to determine the college's compliance with selected federal regulations and identified the following areas where the college could improve procedures to comply with federal regulations.

Leave Benefit Pool

The college established a leave benefits pool to pay accrued vacation and sick leave benefits when research personnel working on sponsored projects take leave or terminate employment. The pool was established to recover these costs from the federal grants and contracts which generated the leave costs.

The college charges grants and contracts for the estimated cost of leave benefits paid to employees who work on federally sponsored projects. These charges are transferred to fund the leave

benefits pool. We determined the college charges each federal grant or contract 4.6 percent of salaries for sick leave and 8 percent of salaries for vacation leave. The college uses 100 percent of sick leave in the calculation, even though these employees are paid for only 25 percent of their accumulated sick leave at termination.

Personnel stated the leave rate probably is high because sick leave used by college employees is minimal. For these leave benefits to be allowable under regulation, the college should have cost records to support the rates charged to the grants and contracts. The charges to the projects should be the actual anticipated cost of accumulated leave.

Overcharge of Leave Benefits

Federal grant regulations allow fringe benefits in the form of regular compensation, such as annual leave and sick leave, to be paid to employees working on grants provided the costs are distributed in proportion to the relative amount of time and effort actually devoted by the employee. During the prior audit, we reviewed the college's procedures for charging sick and annual leave benefits to grants and determined the procedures can result in overcharges to individual grants. We noted the same concern during the current audit.

The college charges grant and contract projects for actual time worked on the project. An additional percentage of salaries for leave time earned by employees while they worked on the projects is charged and transferred to the leave benefit pool. When an employee uses leave benefits during a specific month while working on a grant project, the college charges the leave to the grant on which the employee worked on during the time leave was taken, not to the grant in which the leave benefits were earned or the pool. The college manually adjusts for those employees 100 percent federally funded and backs the charges out of the direct grant charging them to the pool. However, for employees who do not work 100 percent on a federal project, an adjustment is not made.

The current method of adjustment can overcharge grants for those employees not funded 100 percent with federal funds.

Employees may work on several grant projects or other college projects over a period of time. For these split funded employees, personnel said payroll records do not differentiate where leave is earned; therefore, the college charges the leave to the grant on which the employee worked during the time leave was taken. As a result, the grant is charged twice; once when leave is earned and again when taken.

We found three grants with charges from four employees partially funded with federal funds where leave was charged to the grant when earned and again when taken. As a result, we question the allowability of $2,606 charged to the following grants.

CFDA # 15.502 Turner Hogeland Project	$692
CFDA # 15.221 Groundwater Study	944
CFDA # 15.800 NCRDS	970

Recommendation #2

We recommend the college:

A. Maintain cost records to support the leave benefit rates charged to grants and contracts.

B. Establish procedures to ensure the college does not double charge leave benefits to grant projects.

Schedule of Federal Financial Assistance

College personnel prepare a Schedule of Federal Financial Assistance (SFFA) each year. The schedule shows expenditures of federal funds by type of assistance, listed according to a catalog number assigned by the federal government. The Governor's Office compiles schedules from each state agency into a single Schedule of Federal Financial Assistance for the state of Montana. We express an opinion on the statewide SFFA in our biennial Single Audit report.

Federal regulations require the state, including the college, to accurately report the total expenditures for each federal financial

assistance program by grantor. For federal loan programs, such as the Perkins Loan program, the college is required by regulation to report the total amount of loans outstanding rather than expenditures. The federal financial assistance reported expenditures must be supported by the state's accounting records.

During the past three audits of the college we identified errors and omissions from the college's schedules of federal financial assistance. During the current audit we identified the following errors and omissions in federal financial assistance amounts, misstating the information reported to the Governor's Office for fiscal years 1991 and 1992.

-- The college reported both the federal and state share of the Supplemental Educational Opportunity Grant (SEOG) program funds (CFDA #84.007), overstating the SFFA by $3,100 and $5,190 in fiscal years 1991 and 1992, respectively.

-- The college did not include on its fiscal year 1991 and 1992 SFFAs, loans outstanding for the Perkins Loan program (NDSL) (CFDA #84.038) totaling $471,825 and $544,820, respectively, and money received as subgrants from state agencies totaling $11,531 and $10,462, respectively.

-- The college receives a federal capital contribution of $22,938 each fiscal year from the U.S. Department of Housing and Urban Development College Housing Program (CFDA #14.999) to subsidize the debt service payment towards the Student Union Building. The college has never reported these moneys on its SFFA.

Table 2 below identifies the federal programs and the amounts misstated in the college's report to the Governor's Office.

Table 2

Summary of Misstatements

CFDA #	Program Description	1990-91 Overstated (Understated)
66.419	Hart Oil Task 400007-14	(175)
84.069	Grants to States for Student Incentives (SSIG)	(7,717)
84.038	Perkins Loan Program	(471,825)
.*	Cooperative Education	(3,639)
84.007	Supplemental Educational Opportunity Grant (SEOG)	3,100
.*	Student Union Sinking Fund	(22,938)

CFDA #	Program Description	1991-92 Overstated (Understated)
84.038	Perkins Loan Program	(544,820)
84.069	Grants to States for Student Incentives (SSIG)	(8,152)
84.007	Supplemental Education Opportunity Grant (SEOG)	5,190
.*	Cooperative Education	(2,310)
.*	Student Union Sinking Fund	(22,938)

Source: Compiled by the Office of the Legislative Auditor

The college's financial statements and the state's accounting system are correct.

College officials said they were unaware the cooperative education funds should be reported and erroneously omitted the remaining federal sources.

Recommendation #3

We recommend the college provide accurate federal financial assistance information to the Governor's Office.

Federal Property Records

The college uses the Property Accountability Management System (PAMS) to manage and account for capital equipment, which totalled $8,862,496 at June 30, 1992. The equipment records maintained by the college do not identify equipment purchased partially with federal funds, or equipment purchased with state or private funds used to match federal grants.

Federal regulations, OMB Circular A-110 (Attachment N), require the college to maintain property records to identify equipment purchased, in part or in whole, with federal funds. If the required property records are maintained, federal regulations allow the college to include equipment purchased with non-federal funds or funds not used to match a federal grant in its indirect cost calculation.

We identified a $12,920 equipment purchase funded with private funds (foundation) and federal moneys. The college used the $7,697 of private funds as match for a National Science Foundation (NSF) grant (CFDA #47.064) and the additional $5,223 was federal moneys for the particular grant. The equipment was properly recorded on the PAM system; however, as of May 1992, $10,446 was not identified as being purchased as part of a federally funded project.

In the prior audit of the college, we identified the same concern and recommended proper identification for federally funded equipment purchases. The college concurred and searched back to July 1, 1984 to identify equipment purchased with federal funds. However, the identification was based on equipment purchased directly with federal funds and did not include those purchased in part, or those purchased with state funds but used as match for a federal project.

College personnel responsible for recording property on the accounting records indicated the purchase information provided is insufficient to determine whether the purchase was part of a federal project. Personnel are aware procedures need to be in place to allow proper recording of the equipment identification by funding source.

Recommendation #4

We recommend the college identify equipment purchased as part of a federally funded project on the property records in accordance with federal regulations.

Accounting for Grant Match

The college is the recipient of several federal grants which require a state or private match to the grant. The college maintains a system to track personal service expenditures used as match specific to grants; however, the match for operating expenditures and equipment purchases is not specifically identified to a specific grant on the state's accounting records.

We reviewed two grants having equipment and operating expenditures as match. The college used $20,555 of equipment expenditures to match a National Science Foundation (CFDA #47.064) grant and used $19,198 in operating expenditures to match an Environmental Protection Agency (CFDA #66.500) grant. The expenditures were not specifically identified on the state's accounting records as match to a particular federal grant.

Federal regulation OMB Circular A-110 (Attachment F), states, "recipient's financial management systems shall provide for accurate, current, and complete disclosure of financial results of each federally sponsored project or program." Without specifically identifying expenditures used to match a specific federal grant, the chance of the same expenditures being used to match multiple grants exists.

We noted the same concern during the previous audit and recommended the college separately identify operating expenditures and equipment purchases used as match on the state's accounting records. The college concurred and established separate accounts to identify match for those grants to which we had previously taken exception, but not a system to monitor the tracking of all match.

Recommendation #5

We recommend the college separately identify operating and equipment expenditures used to match federal grants on the state's accounting records.

Allowable Match

We reviewed one grant where the value of certain operating expenditures were used as match but were not specifically allowed per the grant agreement. The grant agreement stated personal service expenditures would be used as match. However, the college used the value of utilities and rent as match. The college also received a third-party contribution of equipment use for use as match on the same federal grant project. The use of the equipment was valued at $500,000. However, the college could not provide support for the calculation of this amount.

Federal regulation OMB Circular A-110 (Attachment E), requires all contributions, including third-party in-kind contributions approved by the grantor in advance, as part of the recipients cost sharing and matching when such contributions . . . are verifiable from the recipient's records; and are provided for in the approved budget when required by the federal agency. Attachment E also states specific procedures should be used in establishing the value of in-kind contributions from nonfederal third parties, and the basis for determining the valuation for equipment must be documented.

A college official believed he could use whatever he wanted to meet the match requirement as long as the requirement is met. However, state expenditures used to match federal expenditures, should be the expenditures approved by the grantor in the grant agreement. In addition, documentation should support amounts claimed as match.

Recommendation #6

We recommend the college:

A. Ensure state expenditures used to match federal expenditures are allowable under the grant agreement.

B. Ensure the valuation of third-party contributions is adequately documented in accordance with federal regulations.

Unrecorded Donations to the College

The college and its related foundation each receive donations from outside parties. The foundation is a nonprofit, tax-exempt corporation established to solicit and receive donations to fund various activities at the college. The college contracts with the foundation to provide fund raising activities and administer selected college assets. Gifts to the foundation should be recorded as an asset on the foundation's financial records. Gifts to the college should be recorded as an asset on the college's accounting records. Currently, the college's policy on acceptance of gifts directs all gifts to the foundation without recording the gifts as an asset on the college records.

During our review of the foundation audit report for fiscal year 1990-91, we noted an estate had been willed to the college. Based on our review of the Will, provisions indicate the hope that any funds received by "an officer of said institution" be used for the " maintenance, operation and improvement of its Engineering and Science Divisions." The college has an "officer of said institution" and an "Engineering and Science Division." These provisions indicate the college is the intended beneficiary.

At June 30, 1991, the foundation received earnings distributions from the estate totaling $16,513. At June 30, 1992, the estate assets amounted to $646,911. The foundation received distributions from the estate totalling $500,000 in fiscal year 1992 and expect the remaining $146,911 in fiscal year 1993.

Donations, including bequests, made to the college are college assets and must be recorded on the college accounting records. At December 17, 1992, the estate assets had not been recorded on the college accounting records. Although the gift was to the college, this does not preclude administration of the gift by the foundation. The college should ensure the controller's office is notified of all gifts and donations made to the college, and record revenue and expenditures related to the donations on its accounting records. The college has the fiduciary responsibility to monitor gifts to the college that are administered by the foundation to ensure the expenditures are for the intended use of the gifts and bequests.

College officials indicated the foundation is the organization bearing the responsibility of soliciting, administering and acknowledging donations for the overall support of the college, with the goal of increased donations. We do not take exception to using the foundation as the primary fund raising entity and manager of funds as long as the college accounts for donations made to the college as state assets.

Recommendation #7

We recommend the college account for donations and bequests made to the college on the college accounting records.

Summer School Tuition and Fees

The college's Current Fund revenues include all unrestricted gifts and other unrestricted resources earned during the reporting period, and restricted current funds to the extent that such funds were expended for current operating purposes. Current fund revenues should be classified by source, such as student tuition and fees.

Tuition and fees should include all tuition and fees assessed against students for educational purposes, and should be

recorded as revenue. We determined the college routinely defers summer school fees collected in one fiscal year, to the subsequent fiscal year. Generally accepted accounting principles require revenues from tuition and student fees of an academic term that encompasses two fiscal years, such as summer school, be reported totally within the fiscal year in which the program is predominantly conducted. We determined the 1991 and 1992 summer school sessions were predominantly conducted in May and June of those years.

As a result of deferring the revenue and related expenditures, fiscal year 1990-91 tuition and fees revenue is understated by $15,922 and fiscal year 1991-92 revenue is understated by $35,076. College personnel said its budget is based on deferring the revenue to the next fiscal year. College officials indicated the policy will continue until CHE provides a policy regarding summer school revenue recognition.

Recommendation #8

We recommend the college record summer school tuition and fee revenue, and the related expenditures, in the fiscal year the session is predominantly conducted.

Independent Auditor's Report & College Financial Statements

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The Independent Auditor's Report issued in this report is intended to convey to the reader of the financial statements the degree of reliance which can be placed on the amounts presented. The unqualified opinion on the financial statements indicates the statements are fairly stated in all material respects and the reader can rely on the reasonableness of the information presented in the statements shown, beginning on page A-4 through the notes to the financial statements, when analyzing the college's operations.

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JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial statements of the Montana College of Mineral Science and Technology for each of the two fiscal years ended June 30, 1991 and 1992, as shown on pages A-4 through A-19. The information contained in these financial statements is the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 1992 and the results of operations and changes in fund balances of the college for the two fiscal years ended June 30, 1991 and 1992, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Assets and Liabilities and Fund Balances as of June 30, 1992 and the related Schedules of Current Fund Revenues and Expenditures and Changes in Fund Balances for the fiscal year then ended for the Auxiliaries Facilities Refunding Bonds, Series A 1986, are presented as supplemental information and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our examination of the basic financial statements. In our opinion, except for the effects, if any, of the matter disclosed in paragraph three, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 18, 1992

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
BALANCE SHEET
JUNE 30, 1992

ASSETS

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXLIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
CASH ON HAND AND IN BANK	$15,205	–	–	–	$8,294	–	–	–	–	–
CASH ON DEPOSIT WITH STATE TREASURER	758,609	$417,036	$95,127	$84,187	1,507	$102	$25,841	$62,127	–	–
RECEIVABLES:										
STUDENT LOANS RECEIVABLE	–	–	–	–	470,587	–	88,087	–	–	–
ACCOUNTS RECEIVABLE	37,242	17,357	391,566	58,509	–	–	–	121,375	–	–
ACCRUED INTEREST RECEIVABLE	–	–	–	–	–	–	–	60,934	$18,000	–
LESS ALLOWANCE FOR DOUBTFUL LOANS	–	–	–	–	(15,000)	–	–	–	–	–
TOTAL RECEIVABLES	37,242	17,357	391,566	58,509	455,587	0	88,087	182,309	18,000	0
INVESTMENTS:										
HELD BY TRUSTEES	–	–	–	–	–	–	–	449,515	623,773	–
STATE OF MONTANA SHORT–TERM INVESTMENT POOL	–	16,100	131,500	42,800	102,000	373,900	92,414	232,000	–	–
TOTAL INVESTMENTS	0	16,100	131,500	42,800	102,000	373,900	92,414	681,515	623,773	0
OTHER ASSETS:										
PREPAID EXPENSES AND ADVANCES	99,427	6,184	–	200	1,850	–	–	–	–	–
INVENTORIES	80,478	12,039	–	476,920	–	–	–	–	–	–
TOTAL OTHER ASSETS	179,905	18,223	0	477,120	1,850	0	0	0	0	0
DUE FROM(TO) OTHER FUNDS	(540,173)	(20,035)	(150,397)	(35,621)	79	2	748,371	(2,226)	–	–
PROPERTY, PLANT & EQUIPMENT:										
LAND	–	–	–	–	–	–	–	–	–	$791,547
BUILDINGS	–	–	–	–	–	–	–	–	–	24,162,810
IMPROVEMENTS	–	–	–	–	–	–	–	–	–	3,024,321
EQUIPMENT	–	–	–	–	–	–	–	–	–	8,862,496
LIBRARY BOOKS	–	–	–	–	–	–	–	–	–	975,541
INTANGIBLE ASSETS	–	–	–	–	–	–	–	–	–	431,794
MUSEUM & ART COLLECTION	–	–	–	–	–	–	–	–	–	341,875
TOTAL PROPERTY, PLANT AND EQUIPMENT	0	0	0	0	0	0	0	0	0	38,590,384
TOTAL ASSETS	$450,788	$448,681	$467,796	$626,995	$569,317	$374,004	$954,713	$923,725	$641,773	$38,590,384

LIABILITIES AND FUND BALANCES

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
LIABILITIES										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$110,920	$9,833	$36,214	$24,259	–	–	$745,713	$24,021	–	–
COMPENSATED ABSENCES	1,008,538	45,672	–	16,905	–	–	–	–	–	–
ACCRUED BOND INTEREST PAYABLE	–	–	–	–	–	–	–	–	$55,700	–
OTHER LIABILITIES AND DEPOSITS	–	–	–	23,385	–	–	209,000	–	–	–
DEFERRED REVENUES	126,653	–	183,557	4,437	–	–	–	13,563	–	–
BONDS PAYABLE (Note 3)	–	–	–	–	–	–	–	–	–	$5,975,000
LONG TERM LEASE PAYMENT	–	–	–	–	–	–	–	–	–	138,193
TOTAL LIABILITIES	1,246,111	55,505	219,771	68,986	0	0	954,713	37,584	55,700	6,113,193
FUND BALANCES	(795,323)	393,176	248,025	558,009	569,317	374,004	0	–	586,074	32,477,191
UNEXPENDED								204,652		
RENEWAL AND REPLACEMENT								681,489		
TOTAL LIABILITIES AND FUND BALANCES	$450,788	$448,681	$467,796	$626,995	$569,317	$374,004	$954,713	$923,725	$641,774	$38,590,384

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1992

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES AND OTHER ADDITIONS:										
CURRENT FUND REVENUES – COLLEGE	$10,586,411	$899,148	$2,923,972	$1,770,421	–	–	–	–	–	–
BUREAU OF MINES AND GEOLOGY	1,361,123	–	–	–	–	–	–	–	–	–
LAND GRANT INCOME (Note 4)	–	–	–	–	–	–	–	$471,682	–	–
RESTRICTED STUDENT FEES	–	–	–	–	–	–	–	287,424	–	–
STATE APPROPRIATION	–	–	–	–	–	–	–	40,592	–	–
FEDERAL CAPITAL CONTRIBUTIONS	–	–	–	–	$60,000	–	–	–	$22,938	–
INVESTMENT INCOME	–	4,539	27,121	3,888	4,696	–	–	39,927	50,232	–
INTEREST ON LOANS	–	–	–	–	5,295	–	–	–	–	–
EXPENDED FOR PLANT FACILITIES	–	–	–	–	–	–	–	–	–	$1,465,862
PRIVATE GIFTS & DONATIONS	–	–	–	–	–	$830	–	–	–	515,076
OTHER	–	–	–	–	6,738	–	–	6,870	–	20,963
DECREASE OF INDEBTEDNESS	–	–	–	–	–	–	–	–	–	145,000
TOTAL REVENUES AND OTHER ADDITIONS	11,947,534	903,687	2,951,093	1,774,309	76,729	830	0	846,495	73,170	2,146,901
EXPENDITURES AND OTHER DEDUCTIONS:										
EDUCATIONAL AND GENERAL EXPENDITURES – COLLEGE	10,515,131	709,267	2,988,318	1,607,429	–	–	–	–	–	–
BUREAU OF MINES AND GEOLOGY	1,360,988	–	–	–	–	–	–	–	–	–
INDIRECT COST RECOVERIES	–	–	17,045	–	–	–	–	–	–	–
COMPENSATED ABSENCES	115,845	2,794	–	1,103	–	–	–	–	–	–
LOAN CANCELLATIONS AND BAD DEBT EXPENSES	–	–	–	–	9,917	–	–	–	–	–
COLLECTION COSTS	–	–	–	–	959	–	–	–	–	–
EXPENDED FOR PLANT FAC.	–	–	–	–	–	–	–	377,146	–	–
RETIREMENT OF INDEBTEDNESS	–	–	–	–	–	–	–	–	145,000	–
INTEREST OF INDEBTEDNESS	–	–	–	–	–	–	–	–	449,113	–
DISPOSAL OF PLANT FACILITIES	–	–	–	–	–	–	–	–	–	677,585
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	$11,991,964	$712,061	$3,005,360	$1,608,532	$10,876	$0	$0	$377,146	$594,113	$677,585

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
TRANSFERS AMONG FUNDS – ADDITIONS (DEDUCTIONS)										
MANDATORY										
PRINCIPAL & INTEREST	–	–	–	–	–	–	–	(540,812)	540,812	–
UNEXPENDED PLANT	–	–	–	(150,000)	–	–	–	150,000	–	–
NON–MANDATORY										
LOAN TRANSFER	–	4,174	–	–	(4,174)	–	–	–	–	–
RENEWAL AND REPLACEMENT	–	(182,000)	–	–	–	–	–	182,000	–	–
TOTAL TRANSFERS	0	(177,826)	0	(150,000)	(4,174)	0	0	(208,812)	540,812	0
NET INCREASE (DECREASE) IN FUND BALANCE	(44,430)	13,800	(54,267)	15,777	61,679	830	0	260,537	19,869	1,469,316
FUND BALANCE BEG OF YEAR	(750,893)	379,376	302,292	542,232	507,638	373,174	0	625,604	566,205	31,007,875
FUND BALANCE, END OF YEAR	(795,323)	393,176	248,025	558,009	569,317	374,004	0	886,141	586,074	32,477,191
FUND BALANCE CONSISTS OF:										
UNRESTRICTED – COLLEGE	212,951	–	–	574,914	–	–	–	–	–	–
BUREAU OF MINES & GEOLOGY	264	–	–	–	–	–	–	–	–	–
COMPENSATED ABSENCES	(1,008,538)	(45,672)	–	(16,905)	–	–	–	–	–	–
DESIGNATED	–	438,848	–	–	81,090	–	–	–	–	–
QUASI ENDOWMENT	–	–	–	–	–	18,000	–	–	–	–
RESTRICTED	–	–	248,025	–	488,227	356,004	–	–	586,074	–
NET INVESTMENT IN PLANT	–	–	–	–	–	–	–	–	–	32,477,191
UNEXPENDED	–	–	–	–	–	–	–	204,652	–	–
RENEWAL & REPLACEMENT	–	–	–	–	–	–	–	681,489	–	–
TOTAL FUND BALANCES	($795,323)	$393,176	$248,025	$558,009	$569,317	$374,004	$0	$886,141	$586,074	$32,477,191

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1992

	UNRESTRICTED GENERAL OPERATING FUND	DESIGNATED FUND	RESTRICTED FUND	AUXILIARIES FUND
REVENUES:				
TUITION AND FEES	$2,256,219	–	–	–
STATE APPROPRIATIONS:				
COLLEGE	8,330,192	–	–	–
BUREAU OF MINES AND GEOLOGY	1,317,630	–	–	–
FEDERAL GRANTS & CONTRACT	–	–	$1,936,748	–
STATE GRANTS & CONTRACT	–	–	406,445	–
PRIVATE GRANTS & CONTRACTS	–	–	645,122	–
AUXILIARY ENTERPRISES	–	–	–	$1,774,309
SALES AND SERVICES:				
BUREAU OF MINES AND GEOLOGY	43,493	–	–	–
DESIGNATED	–	$903,687	–	–
TOTAL REVENUES	11,947,534	903,687	2,988,315	1,774,309
EXPENDITURES:				
INSTRUCTIONAL	5,434,151	–	–	–
ORGANIZED RESEARCH	48,465	–	1,375,513	–
ACADEMIC SUPPORT	793,995	–	282,841	–
STUDENT SERVICES AND AID	1,424,977	–	93,633	–
OPERATION AND MAINTENANCE OF PLANT	1,728,879	–	–	–
INSTITUTIONAL SUPPORT	849,610	709,267	–	1,607,429
SCHOLARSHIPS AND FELLOWSHIPS	295,054	–	1,236,328	–
RECOVERY FROM BUREAU OF MINES AND GEOLOGY	(60,000)	–	–	–
	10,515,131	709,267	2,988,315	1,607,429
INDEPENDENT OPERATIONS:				
BUREAU OF MINES & GEOLOGY	1,300,988	–	–	–
SERVICES PROVIDED BY COLLEGE	60,000	–	–	–
COMPENSATED ABSENCES	115,845	2,794	–	1,103
TOTAL EXPENDITURES	11,991,964	712,061	2,988,315	1,608,532
MANDATORY TRANSFERS:				
UNEXPENDED PLANT	–	–	–	(150,000)
NON–MANDATORY TRANSFERS:				
RENEWAL AND REPLACEMENT	–	(182,000)	–	–
LOAN TRANSFER	–	4,174	–	–
RESTRICTED RECEIPTS OVER(UNDER) TRANSFERS TO REVENUE	–	–	(54,267)	–
TOTAL TRANSFERS	0	(177,826)	(54,267)	(150,000)
NET INCREASE (DECREASE) IN FUND BALANCE	($44,430)	$13,800	($54,267)	$15,777

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1991

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES AND OTHER ADDITIONS:										
CURRENT FUND REVENUES –										
COLLEGE	$9,718,423	$797,914	$2,724,373	$1,701,682	–	–	–	–	–	–
BUREAU OF MINES AND GEOLOGY	1,363,141	–	–	–	–	–	–	–	–	–
LAND GRANT INCOME (Note 4)	–	–	–	–	–	–	–	$443,054	–	–
RESTRICTED STUDENT FEES	–	–	–	–	–	–	–	204,270	–	–
STATE APPROPRIATION	–	–	–	–	–	–	–	252,203	–	–
FEDERAL CAPITAL CONTRIBUTIONS	–	–	–	–	$53,144	–	–	–	$22,938	–
INVESTMENT INCOME	–	7,149	45,252	6,545	7,239	–	–	45,154	50,996	–
INTEREST ON LOANS	–	–	–	–	5,815	–	–	–	–	–
EXPENDED FOR PLANT FACILITIES	–	–	–	–	–	–	–	–	–	$868,114
PRIVATE GIFTS & DONATIONS	–	–	–	–	–	$445	–	0	–	129,857
OTHER	–	–	–	–	6,098	–	–	20,162	–	0
DECREASE OF INDEBTEDNESS	–	–	–	–	–	–	–	–	–	249,726
TOTAL REVENUES AND OTHER ADDITIONS	11,081,564	805,063	2,769,625	1,708,227	72,296	445	0	964,843	73,934	1,247,697
EXPENDITURES AND OTHER DEDUCTIONS:										
EDUCATIONAL AND GENERAL EXPENDITURES –										
COLLEGE	9,683,176	752,731	2,687,655	1,446,497	–	–	–	–	–	–
BUREAU OF MINES AND GEOLOGY	1,375,079	–	–	–	–	–	–	–	–	–
INDIRECT COST RECOVERIES	–	–	16,211	–	–	–	–	–	–	–
COMPENSATED ABSENCES	89,318	10,310	–	1,294	–	–	–	–	–	–
LOAN CANCELLATIONS AND BAD DEBT EXPENSES	–	–	–	–	8,086	–	–	–	–	–
COLLECTION COSTS	–	–	–	–	407	–	–	–	–	–
EXPENDED FOR PLANT FAC.	–	–	–	–	–	–	–	609,425	–	–
RETIREMENT OF INDEBTEDNESS	–	–	–	–	–	–	–	–	135,000	–
INTEREST OF INDEBTEDNESS	–	–	–	–	–	–	–	–	458,101	–
DISPOSAL OF PLANT FACILITIES	–	–	–	–	–	–	–	–	–	1,374,745
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	$11,147,573	$763,041	$2,703,866	$1,447,791	$8,493	$0	$0	$609,425	$593,101	$1,374,745

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
TRANSFER AMOUNT FUNDS – ADDITIONS (DEDUCTIONS):										
MANDATORY – FOR RETIREMENT OF INDEBTEDNESS	–	–	–	–	–	–	–	(520,500)	520,500	–
VOLUNTARY TRANSFERS – RESTRICTED	–	5,985	–	(229,200)	(5,985)	–	–	229,200	–	–
TOTAL TRANSFERS	0	5,985	0	(229,200)	(5,985)	0	0	(291,300)	520,500	0
NET INCREASE (DECREASE) IN FUND BALANCE	(66,009)	48,007	65,759	31,236	57,818	445	0	64,118	1,333	(127,048)
FUND BALANCE, BEG. OF YEAR	(684,884)	331,369	236,533	510,996	449,820	372,729	0	561,486	564,872	31,134,923
FUND BALANCE, END OF YEAR	(750,893)	379,376	302,292	542,232	507,638	373,174	0	625,604	566,205	31,007,875
FUND BALANCE CONSISTS OF:										
UNRESTRICTED – COLLEGE	141,671	–	–	558,034	–	–	–	–	–	–
BUREAU OF MINES & GEOLOGY	129	–	–	–	–	–	–	–	–	–
COMPENSATED ABSENCES	(892,693)	(42,878)	–	(15,802)	–	–	–	–	–	–
DESIGNATED	–	422,254	–	–	81,054	–	–	–	–	–
QUASI ENDOWMENT	–	–	–	–	–	18,000	–	–	–	–
ENDOWMENT	–	–	–	–	–	–	–	–	–	–
RESTRICTED	–	–	302,292	–	426,584	355,174	–	–	566,205	–
NET INVESTMENT IN PLANT	–	–	–	–	–	–	–	–	–	31,007,875
UNEXPENDED	–	–	–	–	–	–	–	391,676	–	–
RENEWAL & REPLACEMENT	–	–	–	–	–	–	–	233,928	–	–
TOTAL FUND BALANCES	($750,893)	$379,376	$302,292	$542,232	$507,638	$373,174	$0	$625,604	$566,205	$31,007,875

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1991

	UNRESTRICTED GENERAL OPERATING FUND	DESIGNATED FUND	RESTRICTED FUND	AUXILIARIES FUND
REVENUES:				
TUITION AND FEES	$2,051,884	–	–	–
STATE APPROPRIATIONS:				
COLLEGE	7,666,539	–	–	–
BUREAU OF MINES AND GEOLOGY	1,318,764	–	–	–
FEDERAL GRANTS & CONTRACT	–	–	$1,696,109	–
STATE GRANTS & CONTRACT	–	–	401,659	–
PRIVATE GRANTS & CONTRACTS	–	–	589,887	–
AUXILIARY ENTERPRISES	–	–	–	$1,708,227
SALES AND SERVICES:				
BUREAU OF MINES AND GEOLOGY	44,377	–	–	–
DESIGNATED	–	$805,063	–	–
TOTAL REVENUES	11,081,564	805,063	2,687,655	1,708,227
EXPENDITURES:				
INSTRUCTIONAL	4,977,233	–	–	–
ORGANIZED RESEARCH	60,762	–	1,156,682	–
ACADEMIC SUPPORT	670,701	–	404,455	–
STUDENT SERVICES AND AID	1,271,187	–	95,371	–
OPERATION AND MAINTENANCE OF PLANT	1,601,837	–	–	–
INSTITUTIONAL SUPPORT	919,104	752,731	–	1,446,497
SCHOLARSHIPS AND FELLOWSHIPS	242,352	–	1,031,147	–
RECOVERY FROM BUREAU OF MINES AND GEOLOGY	(60,000)	–	–	–
	9,683,176	752,731	2,687,655	1,446,497
INDEPENDENT OPERATIONS:				
BUREAU OF MINES & GEOLOGY	1,315,079	–	–	–
SERVICES PROVIDED BY COLLEGE	60,000	–	–	–
COMPENSATED ABSENCES	89,318	10,310	–	1,294
TOTAL EXPENDITURES	11,147,573	763,041	2,687,655	1,447,791
TRANSFERS, INCREASE(DECREASE):				
VOLUNTARY TRANSFERS:				
RESTRICTED	–	5,985	–	(229,200)
EXCESS OF TRANSFERS TO REVENUE OVER RESTRICTED RECEIPTS	–	–	65,759	–
TOTAL TRANSFERS	0	5,985	65,759	(229,200)
NET INCREASE (DECREASE) IN FUND BALANCE	($66,009)	$48,007	$65,759	$31,236

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities.

The statements of current funds' revenues, expenditures and other changes are statements of financial activities of current funds related to the current reporting period and do not purport to present the results of operations or the net income or loss for the periods.

Fund Accounting

The accounts of the college are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed on their use.

Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements.

Montana Bureau of Mines & Geology, a separate state agency, for appropriation purposes, functions as an integral part of the college. Applicable revenues and expenditures are identified separately in the financial reports.

The common characteristics of the funds contained in the various groups are as follows:

Current Funds:

The current funds group includes economic resources expendable in performing the primary objectives of the university, i.e., instruction, research and public service. The current funds' group have two basic distinct subgroups: unrestricted funds which have no expenditure restrictions and restricted funds which have expenditure restrictions.

Unrestricted current funds are comprised of the following:

General Operating - utilized for general operations in performing the primary objectives of the college. Appropriations in the General Operating account are made by the Legislature for operating purposes of Montana College of Mineral Science and Technology. Expenditures against these appropriations are funded by corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year-end.

Designated - utilized for education and laboratorial related service activities which are self-supporting. These funds are separately classified in order to accumulate and distinguish the cost of these specialized services or function areas.

Auxiliary Enterprises - utilized in providing essential on-campus services primarily to students, faculty and staff (self-supporting).

The negative fund balance in the unrestricted general operating account includes the unfunded liability of $892,693 for compensated absences payable in FY91 and $1,008,538 for compensated absences payable in FY92.

Restricted current funds are utilized for financing current operations, but limited by external donors and funding agencies to specific purposes, programs and departments.

Student Loan Funds:

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by government, private and college sources with the majority of the funds being provided by the federal government.

Endowment Funds:

Endowment funds are funds with specific donor or other outside agency restrictions limiting the expenditure of the principal. Generally, the principal is to be maintained in perpetuity and invested for the purpose of producing income.

Plant Funds:

Plant funds are separated into three distinct self-balancing subgroup accounts:

Unexpended Plant - utilized for long-term institutional assets and for institutional asset maintenance.

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost of long-term institutional assets and related liabilities and equity.

Agency Funds:

Agency funds - includes assets held by the institution as a custodian or fiscal agent for other organizations or individuals.

Inventories

Inventories, which consist mainly of bookstore supplies, are valued at cost (first-in/first out method).

Plant and Equipment

Equipment acquired with restricted grants and contracts are recorded as addition to investment in plant at the time of purchase. On certain grants and contracts, title to equipment purchased is vested with the grantor or contractor until completion of the project at which time the equipment may revert to the college.

Capital additions funded directly by the state and federal government during the year ended June 30, 1992 are recorded as additions to investment in plant.

No provision has been made for depreciation of plant facilities.

Unearned Tuition and Fees

Summer school tuition and fee revenues and related expenses are deferred at June 30 and recorded as revenue and expense in the succeeding fiscal years.

Retirement Plans

Full-time employees of Montana Tech are all members of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), or the Optional Retirement Program (ORP). ORP started in January of 1988, is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). Only faculty and staff with contracts under the authority of the Board of Regents may

elect either the TRS or the ORP. Pension Benefit Obligation is not available on an agency basis, but is available on a statewide basis from the Montana Retirement Systems or TIAA-CREF.

ORP - The ORP is a defined contribution plan. The benefits at retirement depend upon the amount of contributions, amounts of investment gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. The Montana Tech records employee/employer contributions, and remits monies to the Commissioner of Higher Education. The Commissioner's Office then transfers the contributions to TIAA-CREF. Individuals are immediately vested with contributions.

TRS - This mandatory system established in 1937 and governed by Title 19, chapter 4, MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center or unit of the University System. Eligibility is met with a minimum of 25 years of service or age 60 with 5 years of creditable service. The formula for accrual benefits is 1/60 times creditable service times the average final compensation. Rights are vested after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits.

PERS - This mandatory system established in 1945 and governed by Title 19, chapter 3, MCA, provides retirement services to substantially all public employees. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Beginning January 1, 1989, monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. Members rights become vested after 5 years of service.

Information as of June 30, 1991

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	$2,240,397	$4,777,182	$ 855,345
Total Payroll	8,330,009	8,330,009	8,330,009
Employer Contributions	141,145	356,330	25,284
Percent of Covered Payroll	6.300	7.459	2.956
Employee Contributions	143,766	336,505	60,251
Percent of Covered Payroll	6.417	7.044	7.044

Information as of June 30, 1992

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	$2,432,242	$5,053,385	$ 967,997
Total Payroll	8,927,643	8,927,643	8,927,643
Employer Contributions	156,077	376,932	28,614
Percent of Covered Payroll	6.417	7.459	2.956
Employee Contributions	156,077	335,960	68,186
Percent of Covered Payroll	6.417	7.044	7.044

For ORP participants, a total of $38,516 or 4.503 percent in 1991 and $43,589 or 4.503 percent in 1992 was contributed to TRS as employer contribution to amortize past service unfunded liability in accordance with Title 19, chapter 21, MCA.

Statewide Budgeting and Accounting System

The balance sheet, statement of changes in fund balances and statement of current funds' revenues, expenditures and other changes have been prepared in accordance with generally accepted accounting principles; consequently, these reports may differ from the financial information recorded in the Statewide Budgeting and Accounting System.

NOTE 2 - INVESTMENTS

Investments at June 30, 1992 consisted of the following:

Montana Common Stock Pool (Mont Comp)	$ 42,014
Montana Short-term Investment Pool (STIP)	948,700
First Bank Trustee Account	1,073,288
	$ 2,064,002

Investments:

Investments are carried at cost which approximate market value at June 30, 1992. The investments are insured and are held by the state or its agent for the college.

The investments at June 30, 1992 are owned by the following funds:

Designated Funds	$ 16,100
Restricted Funds	131,500
Auxiliaries Fund	42,800
Student Loan Fund	102,000
Endowment Fund	373,900
Agency Fund	92,414
Unexpended Plant Fund	681,515
Retirement of Indebtedness Plant Fund	623,773
	$ 2,064,002

NOTE 3 - BONDS PAYABLE

At June 30, 1992, bonds payable are Facilities Refunding Revenue Bonds, Series A 1986 with a balance outstanding of $5,975,000.

The proceeds of the bonds, together with certain funds and monies of the Board and the College and certain proceeds of Bonds refunded by the Series A 1986 Bonds, provided funds for the construction, renovation, equipment and improvement of certain facilities at and for Montana College of Mineral Science and Technology; for refunding certain outstanding indebtedness of the Board of Regents of Higher Education issued for or incurred by Montana College of Mineral Science and Technology; for paying the costs of issuance of the Series A 1986 Bonds; for funding the debt service reserve requirement for the Series A 1986 Bonds; and for funding part of the repair and replacement requirement for the Income Facilities.

The Facilities Refunding Revenue Bonds, Series A 1986 indenture provides, among other things; that the College will maintain revenues to meet required annual principal and interest payments and annual operation and maintenance expense; that the College will maintain a bond and interest sinking fund account and repair and replacement reserve account; provide audited financial statements of the College to the trustee within a specified period of time as well as to any requesting bondholders; and pledge and appropriate all monies received by the college from income facilities, student building fees, land grant income, the Federal Debt Service Grant received by the College and investment income from the funds for the retirement of bonds payable.

The principal amounts of the bonds mature on November 15th of varying years with varying interest rates as follows:

MATURITY (November 15)	PRINCIPAL AMOUNTS MATURING	INTEREST RATE (PER ANNUM)
1992	155,000	6.50%
1993	160,000	6.60%
1994	175,000	6.70%
1995	185,000	6.80%
1996	200,000	7.00%
1997-2009	5,100,000	7.10 - 7.625%
Total	5,975,000	

NOTE 4 - LAND GRANT STATUS

The congress of the United States, by the enabling act approved February 22, 1889, granted to the State of Montana 100,000 acres for the college and provided that all monies received from the sale of lands belonging to this grant, together with proceeds from the sale of timber, oil royalties and other minerals, should be credited to a permanent fund for each of the land grant institutions. These monies are currently pledged to the Series A 1986 revenue bonds. It also provided that permanent funds could not be used for any other purpose and must remain forever inviolate as the property of each of the land grant funds.

The college's land grant assets are not reflected in these financial statements, but are shown in the Montana Department of Lands' financial statements.

NOTE 5 - COMPENSATED ABSENCES

On July 1, 1982, the college started accounting for unused vacation and sick leave in accordance with the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. Permanent employees can accumulate and carry to the following calendar year two times the maximum number of vacation days earned annually. Unused vacation leave is paid at full value to employees upon termination. Upon termination, unused sick leave earned since July 1, 1971, is paid to the employee at 25% value.

The accumulated liability for compensated absences totaled $1,071,115 for the year ended June 30, 1992.

NOTE 6 - NOTES PAYABLE

A note payable is due Xerox Corporation for the purchase of a Xerox 1075. It is payable in monthly payments of $1,200 including interest, through June 1995. Minimum principal & rent payments are: FY93, $11,540 and FY94, $11,540; and FY95, $10,578.

A note is due for Prime Computer Incorporated for the purchase of Prime 4050 CPU. It is payable in monthly payments of $850 including interest, through December 1995. Minimum principal payments are: FY93, $7,641; FY94, $7,641; and FY95, $3,184.

An installment finance agreement has been completed with Norwest Investment Services, Inc. for 2 DEC VAX 4000 computers and related equipment. It is payable in yearly payments of $29,422.10 including interest, through August 15, 1996. Minimum principal payments are: FY93, $22,598; FY94, $24,139, FY95, $25,785; and FY96, $27,544.

A Xerox lease agreement has been completed with Xerox Corporation for a Xerox 5052 with RHD photocopier. It is payable in monthly payments of $658.89 including interest through March, 1995. Minimum principal and maintenance payments are: FY93, $7,907; FY94, $7,907; and FY95, $5,930.

NOTE 7 - MUSEUM BUILDING FIRE

The Museum Building received extensive fire damage on the evening of February 7, 1990 at 8:30 p.m. Representatives from the Department of Administration and Tort Claims Division were on campus the following morning to coordinate insurance and related activities. The coordination for fire damage clean-up, repair, renovation, and replacement is being processed through our Physical Plant working with the Department of Administration. Claims have been processed through the Architecture & Engineering Division. Claims paid as of June 30, 1992 totalled $295,884. Other claims totalling $31,353 were processed by Risk Management and Tort Defense Division.

NOTE 8 - JOB CORPS PROJECT

Having received federal approval, Montana Tech has entered into a cooperative agreement with the Deer Lodge National Forest and the Anaconda Job Corps to provide various services to the college which include improvements, extensions, enlargements, repairs and betterments related to the Health Physical Education Recreation (HPER) outdoor facilities including the stadium. The work commenced late spring of 1989 and is expected to be completed in the fall of 1992. The total increased value to the college, including donated labor and material, was inventoried at $500,000.

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF ASSETS AND LIABILITIES AND FUND BALANCES
JUNE 30, 1992

	CURRENT FUNDS	PLANT FUNDS	
	Pledged Auxiliaries	Unexpended	Retirement of Indebtedness
ASSETS			
Cash On Deposit	$76,574	$42,274	$1
Accounts and Interest Receivable	58,509	182,309	18,000
Investments Held By Trustees	0	449,515	623,773
Other Assets			
Prepaid Expenses	200	0	0
Inventories	476,920	0	0
Total Other Assets	477,120	0	0
Due From (To) Other Funds	(35,019)	(2,702)	0
Total Assets	$577,184	$671,396	$641,774
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable and Accrued Liabilities	$24,252	$23,908	$55,700
Other Liabilities and Deposits	23,385	0	0
Unearned Revenues	4,437	6,908	0
Total Liabilities	52,074	30,816	55,700
Fund Balances	525,110	640,580	586,074
Total Liabilities and Fund Balances	$577,184	$671,396	$641,774

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF CHANGES IN FUND BALANCES
JUNE 30, 1992

	CURRENT FUNDS	PLANT FUNDS	
	Pledged Auxiliaries	Unexpended	Retirement of Indebtedness
Revenues and Other Additions:			
Unrestricted Fund Revenues	$1,695,401	$0	$0
Land Grant Income	0	471,682	0
Restricted Student Fees	0	151,516	0
Federal Capital Contributions	0	0	22,938
Investment Income	0	34,180	50,232
Other Income	0	6,870	0
Total Revenues and Other Additions	1,695,401	664,248	73,170
Expenditures and Other Deductions:			
General Expenditures	1,505,589	0	0
Expended For Plant Facilities	0	240,692	0
Retirement of Indebtedness	0	0	145,000
Interest of Indebtedness	0	0	449,113
Total Expenditures and Other Deductions	1,505,589	240,692	594,113
Net Revenue Over (Under) Expenditures	189,812	423,556	(520,943)
Transfer Amount Funds: Additions (Deductions) For Retirement of Indebtedness	(150,000)	(390,812)	540,812
Net Increase (Decrease) In Fund Balance	39,812	32,744	19,869
Fund Balance Beginning of Year, As Previously Reported	485,298	607,836	566,205
Fund Balance End of Year	$525,110	$640,580	$586,074

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF CURRENT FUNDS' REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1992

	Pledged Auxiliaries
Revenues:	
Sales and Services	$795,291
Board and Room	734,304
Tuition and Fees	90,613
Other Income	75,193
Total Revenue	1,695,401
Expenditures:	
Cost of Goods Sold	612,729
Personal Services	312,561
Operating Expenses	565,085
Equipment	15,214
Total Expenditures	1,505,589
Revenues in Excess of Expenditures	$189,812

Agency Response

MONTANA TECH
Butte, Montana 59701
(406) 496-4101

April 9, 1993

Mr. Scott A. Seacat
Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

Dear Mr. Seacat:

Enclosed is our written response to your report on the audit of Montana Tech for the two fiscal years ending June 30, 1992.

On behalf of the staff and the administration, I would like to thank you and your representatives for your cooperation and professionalism in conducting this audit.

Sincerely,

John C. Badovinac
Controller/Business Manager

JCB/ld

Enc.

cc: Rod Sundsted, Deputy Commissioner for Management and Fiscal Affairs, CHE
Laurie Neils, Director of Budget and Accounting, CHE
Dr. Lindsay Norman, President
Dr. John Hintz, VP, Administrative and Student Affairs

MONTANA TECH AUDIT REPLY

Recommendation #1

We recommend the college comply with state purchasing laws.

Exceeded Delegated Purchase Authority/Drilling Supplies.

Response:

Concur. Drilling supplies requisitions will be sent to State Purchasing broken down by project with a disclaimer that all or none may be used.

Exceeded Delegated Purchase Authority/Computer hardware.

Response:

Partially Concur. Tech was given permission to buy PC's without using the state contract. This was agreed upon at a meeting in Helena attended by representatives from State Purchasing, the Department of Administration - ISD, CHE, and Tech.

Physical Plant Purchases.

Response:

Concur. As of 01-29-93, Montana Tech has modified it's Physical Plant purchasing procedures to comply with Revised ARMS (2.5.603). Montana Tech will also work with the State Purchasing Office for procuring supplies for in-house labor projects and aggregate supplies costing more than $2,000 as outlined in Revised ARMS (2.5.603).

Recommendation #2

We recommend the college.

A. Maintain cost records to support the leave benefit rates charged to grants and contracts.

Response:

Concur. A written policy has been instituted to document leave benefits to be charged to grants and contracts. New procedures instituted in B (below) will constitute the new policy.

B. Establish procedures to ensure the college does not double charge leave benefits to grant projects.

Response:

Concur. Procedures were in place previously for charging leave benefits to grant projects. However, they were not entirely satisfactory to the auditors. A new procedure has been put into place effective July 1, 1992 which should alleviate future problems.

Recommendation #3

We recommend the college provide federal financial assistance information to the Governor's Office.

Response:

Concur. The noted federal programs and applicable amounts will be reported on the next federal assistance report submitted to the Governor's Office. As indicated in the audit report, the college's financial statements and the state's accounting system are correct.

Recommendation #4

We recommend the college identify equipment purchased as part of a federally funded project on the property records in accordance with federal regulations.

Response:

Concur. As of the PAMS report dated September 30, 1993, all equipment purchased directly with federal funds are identified in accordance with federal regulations. The item purchased in part with federal funds has since been identified. Procedures are in place to identify equipment purchased, in part or in whole, with federal funds.

Recommendation #5

We recommend the college separately identify operating and equipment expenditures used to match federal grants on the state's accounting records.

Response:

Partially concur. In fact, separate responsibility centers have been set up in the past to account for equipment match. In the future, separate centers will be set up to track operating expenditures match.

Recommendation #6

We recommend the college.

A. **Ensure state expenditures used to match federal expenditures are allowable under the grant agreement.**

Response:

Do not concur. In discussing this recommendation with the federal contract officer of the grant in question, the officer stated this was an estimate only and as long as the bottom line was met, the federal agency had no objection as to the source

Recommendation #6 (cont.)

of the match. We have since requested a no cost budget revision from the agency to adjust the match budget.

B. **Ensure the valuation of third party contributions is adequately documented in accordance with federal regulations.**

Response:

Concur. The contract in question had many references to the third party contribution in the body of the proposal and was approved by the contracting agency. We did not, however, request the required documentation from the third party as noted. This has since been done and we are awaiting receipt of this documentation.

Recommendation #7

We recommend the college account for donations and bequests made to the college on the college accounting records.

Response:

The Office of the Commissioner of Higher Education is responding to this recommendation as a University System issue.

Recommendation #8

We recommend the college record summer school tuition and fee revenue, and the related expenditures, in the fiscal year the session is predominantly conducted.

Response:

The Office of the Commissioner of Higher Education is responding to this recommendation as a University System issue.

MONTANA HIGHER EDUCATION SYSTEMS
Office of Commissioner of Higher Education

2500 Broadway • PO Box 203101 • Helena, Montana 59620-3101 • (406) 444-6570 • FAX (406) 444-0684

April 6, 1993

Mr. Scott Seacat
Legislative Auditor
State Capitol
Helena, MT. 59620

Dear Mr. Seacat:

Enclosed is the University System's response to recommendations number 7 and number 8 which are contained in Montana Tech's financial-compliance audit for the two fiscal years ended June 30, 1992. Because these two issues are of importance to the University System as a whole, we appreciate the opportunity to respond in this capacity.

Sincerely,

Laurie O. Neils

Laurie O. Neils
Director of Budget and Accounting

c: Rod Sundsted
John Badovinac

enclosure

JAN - 8

RECOMMENDATION #7

We recommend the college account for donations and bequests made to the college on the college accounting records.

UNIVERSITY SYSTEM RESPONSE:

Concur.

The University System has developed a system policy related to this issue. The policy will be submitted to the Board of Regents at its May 1993 meeting.

RECOMMENDATION #8

We recommend the college record summer school tuition and fee revenue, and the related expenditures, in the fiscal year the session is predominantly conducted.

UNIVERSITY SYSTEM RESPONSE:

Do not concur.

All units of the University System defer summer session revenues, expenditures, and the related student FTE numbers. It is important for both accounting and budeting reasons for the University System to continue, as a system, in deferring summer session activity. Budgeting, FTE counts, and revenue estimating would be significantly more difficult if each campus recorded summer session differently or if a campus changed practice each year depending on the duration of their summer session. If GAAP is strictly applied in this situation, it is conceivable that a campus could defer one summer session and accrue the next, thereby recording two summer sessions in one year and none in the next. The University System, then, believes we should continue to defer summer session activity for the following reasons:

1. Consistency in budgeting and reporting is a priority for the system.

2. Determination of all summer session revenues and expenditures for accrual purposes would be difficult and an estimate at best. Deferrals are precisely known.

3. Student FTE are counted as the first quarter of the new year, so that the FYFTE figure is official by the time the budgeting cycle begins in early summer.

Additionally, the idea of consistency among the campuses seems to be substantiated in statute:

> (20-25-301 MCA) "The board of regents of higher education shall serve as regents of the Montana university system, shall use and adopt this style in all its dealing therewith, and shall:
> (1) have general control and supervision of the units of the Montana university system, which shall be considered for all purposes one university."
>
> (House Bill 2, the general appropriations act) "All university units, except the office of the commissioner of higher education, shall account for expenditures consistently within programs and funds across all units and shall use the nations center for higher education management system and program classification structure, along with the college and university business administration (CUBA) system, as a minimum standard for achieving consistency."

Costs versus benefits should be weighed in determining accounting and budget policy. We believe that the costs, in terms of inconsistency among the campuses, would far exceed the benefits of having individual campuses comply strictly with GAAP.